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In the Supreme Court of the United States

OCTOBER TERM, 1996

QUALITY KING DISTRIBUTORS, INC., PETITIONER

v.

L'ANZA RESEARCH INTERNATIONAL, INC.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE SUPPORTING RESPONDENT

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QUESTION PRESENTED

The Copyright Act of 1976, 17 U.S.C. 101 *et seq.*, accords the owner of a copyright "the exclusive right[] * * * to distribute copies or phonorecords of the copyrighted work to the public." 17 U.S.C. 106(3). Under the first sale doctrine, however, the owner of a particular, lawfully made copy of a copyrighted work may, without the consent of the copyright owner, "sell or otherwise dispose of the possession of that copy." 17 U.S.C. 109(a). A separate section of the Copyright Act provides that "[i]mportation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106." 17 U.S.C. 602(a). The question presented is:

Whether, when a copyright owner has sold copies of its copyrighted work abroad but has not authorized their importation into the United States, the first sale doctrine precludes the copyright owner from suing for copyright infringement, under Section 602(a), a subsequent purchaser who imports those copies into the United States.

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INTEREST OF THE UNITED STATES

This case presents the question whether a copyright owner can prevent the importation into the United States of copies of a work that it has sold abroad, but that it has not authorized for importation. The case turns upon the interpretation of three separate provisions of the Copyright Act of 1976, 17 U.S.C. 101 *et seq.* The United States has an interest in the resolution of this question for several reasons. First, the United States Copyright Office, which administers the Copyright Act, 17 U.S.C. 701, and which contributed significantly to Congress's drafting of the relevant provisions, has an interest in ensuring the Act's proper construction. Second, the

Court's resolution of the statutory question presented could have a substantial impact on the federal government's foreign trade and copyright relations. In international trade agreements and negotiations, the United States has repeatedly endorsed the right of copyright owners to control the terms and conditions for importation and distribution of copies of their works in their own countries. Third, the federal government has primary responsibility for enforcing the antitrust laws, which establish a national policy favoring economic competition as a means to advance the public interest.

STATEMENT

1. The Constitution vests in Congress the power "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. Const. Art. I, § 8, Cl. 8. Pursuant to that authority, Congress substantially revised United States copyright law through enactment of the Copyright Act of 1976, 17 U.S.C. 101 *et seq.*

The present case arises at the intersection of three provisions of the Copyright Act.[1] The first, 17 U.S.C. 106(3), provides that "the owner of copyright under this title has the exclusive right[] * * * to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending."

The second provision, 17 U.S.C. 109(a), expressly limits Section 106(3), by providing that the owner of a lawfully made copy may "sell or otherwise dispose of

[1] The relevant provisions are reproduced at Pet. App. E1-E3.

the possession of that copy" without the copyright owner's authorization. Section 109(a) is often referred to as the "first sale doctrine," because it is generally viewed as providing that the copyright owner's sale of a copy of his work terminates his right to control distribution of that copy. See also *Bobbs-Merrill Co.* v. *Straus*, 210 U.S. 339 (1908).

The last provision, 17 U.S.C. 602(a), states that "[i]mportation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501." Section 501, in turn, provides that "[a]nyone who violates any of the exclusive rights of the copyright owner as provided in sections 106 through 118 * * *, or who imports copies or phonorecords into the United States in violation of section 602, is an infringer of the copyright," 17 U.S.C. 501(a), and may be subject to a civil action by the copyright owner, 17 U.S.C. 502-505.[2]

2. Respondent manufactures and distributes in the United States a variety of hair care products. Pet. App. A2, B2. Respondent has copyrighted the label that is affixed to those products. *Id.* at A3. As part of its marketing strategy, respondent requires its domestic distributors to sell its products exclusively to authorized vendors, such as beauty salons and colleges. *Id.* at A2. Respondent also sells to foreign distributors, who may sell the products only within defined geographical areas. *Ibid.* Respondent offers

[2] In addition, the Copyright Act criminalizes willful copyright infringement undertaken "for purposes of commercial advantage or private financial gain." 17 U.S.C. 506(a).

its products to overseas distributors at a reduced price, because they "do not receive the benefit of [respondent's] extensive advertising and promotional activities conducted in the United States but rather, must market the products themselves." *Ibid.*

Respondent sold the products in question here at a discounted price through its distributor in the United Kingdom to a foreign purchaser, L. Intertrade. Pet. App. A2. The sale occurred outside the United States. *Id.* at B6. Respondent made the sale with the understanding that its products and the label they bear would be distributed only in Malta and perhaps Libya. *Id.* at A2. L. Intertrade, however, sold the products to petitioner, which imported them into the United States without respondent's permission and subsequently sold them to several domestic buyers for retail distribution. *Id.* at A3.

3. a. Respondent sued petitioner and its customers, alleging that the importation and subsequent distribution of the hair care products bearing the copyrighted label, without respondent's authorization, constituted copyright infringement under Sections 106(3) and 602(a), contributory copyright infringement, and conspiracy. Pet. App. A3; J.A. 32-33.[3] Petitioner asserted as an affirmative defense the first sale doctrine of Section 109(a). J.A. 44. Respondent moved for summary judgment on the question whether the first sale doctrine barred this action. Pet. App. A4.

The district court granted summary judgment, holding that Section 109(a) does not bar liability if the first sale occurs outside the United States.

[3] The complaint also asserted intentional interference with contract, intentional interference with prospective economic advantage, and unfair competition claims under California law. J.A. 33-37. None of those claims is at issue at this stage.

Pet. App. B6-B7. The district court permanently enjoined petitioner from "importing" and "selling" respondent's labeled products if they were obtained overseas, and awarded a stipulated amount of damages. J.A. 113-114.

b. The court of appeals affirmed, holding that the first sale doctrine does not limit the copyright owner's importation right under Section 602(a). Pet. App. A1-A23. Unauthorized imports, the court explained, "cause copyright owners to lose control over domestic distribution, thus driving prices down for goods sold *through authorized channels in the U.S. market*." *Id.* at A15. The court further concluded that Congress's expansion of Section 602(a) in the 1976 Copyright Act "would be rendered meaningless if § 109(a) were found to supersede the prohibition on importation." *Id.* at A9. The court of appeals acknowledged that its decision was inconsistent with the Third Circuit's ruling in *Sebastian International, Inc.* v. *Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093 (1988). Pet. App. A14.

SUMMARY OF ARGUMENT

This Court need look no further than the literal terms of the Copyright Act to resolve the question of statutory construction presented in this case. First, Section 109(a)'s first sale doctrine only restricts the copyright owner's ability to prevent the copy owner from "sell[ing] or otherwise dispos[ing]" of the copy. Importation is neither a sale nor a disposal of a copy; it is a distinct activity left unaffected by the first sale doctrine. Indeed, the exceptions that the importation provision identifies pertain to copies that are imported for purposes other than their further sale or distribution. Second, the language and structure of the Copyright Act distinguish the copyright owner's

importation right from the general distribution right that is subject to the first sale doctrine. Finally, other intellectual property legislation reveals that, when Congress intends an importation right to be affected by a first sale, it says so in express terms.

The legislative history confirms that a first sale abroad does not vitiate a copyright owner's right to prevent importation of that copy to the United States. Before 1976, the Copyright Act banned the importation only of pirated versions of a copyrighted work. The 1976 Copyright Act expanded the importation provision to make the unauthorized importation of legitimate copies an infringement as well. That expansion reflected a direct legislative response to strongly voiced industry concerns over the problem of parallel imports. While the historical discussion of the interrelationship between Sections 109(a) and 602(a) is limited, the relevant commentary supports recognition of an importation right that is unaffected by the first sale doctrine. Petitioner's proposed interpretation, by contrast, would empty of practical significance Section 602(a)'s expansion to legitimately made copies.

Furthermore, the United States has repeatedly advanced in international trade negotiations the position that the domestic copyright owner's right to prevent parallel imports is not diminished by a first sale abroad, and has strongly encouraged other nations to adopt similar protections. Adoption of petitioner's proposed construction of the Copyright Act would be inconsistent with a number of international trade agreements concluded by the United States and would directly undercut the United States' negotiating position regarding the terms of other proposed intellectual property agreements, because it would be

contrary to representations made by the United States to foreign governments.

Finally, the alternative interpretations of Sections 109(a) and 602(a) adopted by other courts lack any grounding in the language or legislative history of the Copyright Act.

ARGUMENT

A COPYRIGHT OWNER'S RIGHT TO PREVENT INFRINGEMENT THROUGH THE UNAUTHORIZED IMPORTATION OF COPIES OF ITS WORK IS NOT AFFECTED BY THE FIRST SALE OF THOSE COPIES ABROAD

A. The First Sale Doctrine Of Section 109(a) Does Not Extend To Importation

The first sale doctrine does not divest the copyright owner of its right to prevent unauthorized importations.[4] Petitioner's argument (Pet. Br. 12-16) proceeds from the assumption that a first sale abroad completely exhausts a copyright owner's distribution right. Nothing in Section 109(a)'s text, however, suggests that the limitation on rights effected by a first sale is coextensive with the entire distribution right defined by Section 106(3). To the contrary, Section 109(a) allows the owner of a copy only "to sell or otherwise dispose of the possession of that copy" without the authority of the copyright owner. Because the "mere act of importation" (H.R. Rep. No.

[4] At the outset, we note that, although the facts of this case reflect a peculiar type of copyrighted work superficially resembling a trademark, petitioner's argument would have broad and adverse ramifications for more traditional works protected by copyright (such as books, movies, computer programs, and sound recordings). Cf. *Mazer* v. *Stein*, 347 U.S. 201, 217 (1954).

1476, 94th Cong., 2d Sess. 170 (1976); S. Rep. No. 473, 94th Cong., 1st Sess. 152 (1975)) regulated by Section 602(a) does not entail a sale or disposal of possession by the owner of a copy, the first sale doctrine offers petitioner no safe harbor.

1. *Plain language*

By their ordinary understanding, the terms "importation" and "sell" or "dispose of" are not coextensive. See *Brotherhood of Locomotive Engineers* v. *Atchison, Topeka & Santa Fe R.R.*, 116 S. Ct. 595, 597 (1996) (task of statutory construction "begin[s] with the text and design of the statute"). "Importation" means "[t]he act of importing or bringing in * * * goods or merchandise from a foreign country." VII *The Oxford English Dictionary* 728 (2d ed. 1989); see also *The American Heritage Dictionary of the English Language* 661 (1980). While the purpose of importation may often be for trade or sale, the act of importing is not itself a sale nor does it dispose of possession of the item imported. *Id.* at 381, 1177 (defining "dispose of" as "[t]o transfer or part with, as by giving or selling"; defining "sell" as "[t]o exchange or deliver for money or its equivalent, as goods, services, or property; dispose of for a price").[5] Rather, the sale or disposition are subsequent and separate commercial transactions.

The exceptions that Section 602(a) carves out, moreover, each involve acts of importation unrelated to a sale or disposal of possession. Section 602(a)

[5] See also XIV *Oxford English Dictionary*, *supra*, at 934-935 (defining "sell"); IV *Oxford English Dictionary*, *supra*, at 820 (defining "dispose").

excepts from the copyright owner's control importations by the state or federal government "for the use of the Government" (17 U.S.C. 602(a)(1)); importations for "private use" (17 U.S.C. 602(a)(2)); and importations by "organization[s] operated for scholarly, educational, or religious purposes and not for private gain" (17 U.S.C. 602(a)(3)). Congress thus was aware that importation constitutes an activity distinct from sales and other disposals of goods.

Furthermore, if Congress had intended the first sale doctrine to apply to sales abroad, the listing of the three exceptions would have been unnecessary because a first sale will have occurred almost any time one of the excepted activities is undertaken. Congress should not be presumed to have enacted the exceptions as superfluous or redundant words. *Bailey* v. *United States*, 116 S. Ct. 501, 507 (1995). In any event, had Congress intended the copyright owner's importation right not to apply to copies acquired abroad and then imported into the United States, Congress would likely have provided such a fourth exception to Section 602(a). See *United States* v. *Smith*, 499 U.S. 160, 167 (1991) ("Where Congress expressly enumerates certain exceptions to a general prohibition, additional exceptions are not to be implied, in the absence of evidence of a contrary legislative intent.").

Finally, when, in the intellectual property arena, Congress intended for a first sale to diminish the importation right as well as the distribution right, Congress expressly and deliberately included the term "import" in the first sale provision. See 17 U.S.C. 906(b) (owner of a particular semiconductor chip product "may import, distribute, or otherwise dispose of or use" that product without the authority

of the owner of the mask work).[6] To judicially supplement Section 109(a)'s authority for the copy owner "to sell or otherwise dispose of" possession with the additional ability to "import" copies, as petitioner proposes, would set at naught Congress's express inclusion and exclusion of importation rights in the different first sale provisions of its intellectual property legislation. See *United States* v. *Shabani*, 513 U.S. 10, 14 (1994) (when statutory term is absent in one statute, but explicit in a closely analogous statute, "Congress' silence * * * speaks volumes"); cf. *Gozlon-Peretz* v. *United States*, 498 U.S. 395, 404 (1991) ("Where Congress includes particular language in one section of a statute but omits it in another section of the same Act," courts must "presume[] that Congress acts intentionally and purposely in the disparate inclusion or exclusion.").

2. *Legislative history*

The legislative history confirms that the first sale doctrine does not limit the copyright owner's importation right. Prior to 1976, the Copyright Act barred the importation only of pirated versions of a copyrighted work. 17 U.S.C. 106, 107 (1970); see also H.R. Rep. No. 2222, 60th Cong., 2d Sess. 17 (1909). Amicus AFTA is correct (AFTA Br. 11-12) that, when the copyright law revision process commenced in 1961, the Register of Copyrights initially proposed retaining the narrow scope of the importation provision and not expanding it to address importations in violation of "agreements to divide international markets for copyrighted works." House Comm. on the Judiciary, 87th Cong., 1st Sess., *Copyright Law*

[6] The Copyright Office is charged with administering the statutory protections afforded mask works. See 17 U.S.C. 908.

Revision: Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law 126 (Comm. Print July 1961). The purpose of the Register's 1961 proposal, however, "was not to state a final Copyright Office position or even to argue the ultimate merits of a particular point of view," but rather was "to furnish a tangible core around which opinions and conclusions could crystallize." House Comm. on the Judiciary, 89th Cong., 1st Sess., *Copyright Law Revision Part 6: Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law* IX (Preface) (Comm. Print May 1965).[7]

The narrow importation provision elicited a flurry of opposition. Industry representatives explained that copyright owners could not, as the Register's Report had initially suggested, rely upon breach of contract actions to enforce agreements limiting domestic importation and distribution by foreign owners of copies. See House Comm. on the Judiciary, 88th Cong., 1st Sess., *Copyright Law Revision Part 2: Discussion and Comments on Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law* 212 (Comm. Print Feb. 1963) (bringing such lawsuits "is expensive, burdensome, and, for the most part, ineffective"); *id.* at 213 (noting circumstances where "[t]here is just no possibility of any contract remedy"); *id.* at 275.

[7] Although petitioner selectively disparages (compare Pet. Br. 21 with Pet. Br. 16 n.7) consideration of the copyright law revision process as a guide to interpreting the Copyright Act of 1976, this Court has recognized its relevance. See *Mills Music, Inc.* v. *Snyder*, 469 U.S. 153, 159-161 & nn.14-25, 170-176 & nn.37-42 (1985).

In light of "the detailed comments and suggestions [the Register] had received," *Copyright Law Revision Part 6, supra*, at IX (Preface), the Copyright Office prepared a preliminary draft to revise the copyright law. The draft proposed amending the importation provision to afford statutory protection for the copyright owner's efforts to prevent the unauthorized importation of its work and provided that this right would be enforceable by the copyright owner in an infringement action. See House Comm. on the Judiciary, 88th Cong., 2d Sess., *Copyright Law Revision Part 3: Preliminary Draft for Revised U.S. Copyright Law and Discussions and Comments on the Draft* 28, 32 (Comm. Print Sept. 1964). The Copyright Office explained that the new provision would pertain to foreign copies that, although properly authorized for distribution abroad, "if sold in the United States, would be sold in contravention of the rights of the copyright owner who holds the exclusive right to sell copies in the United States." House Comm. on the Judiciary, 88th Cong., 2d Sess., *Copyright Law Revision Part 4: Further Discussions and Comments on Preliminary Draft for Revised U.S. Copyright Law* 203 (Comm. Print Dec. 1964). The draft thus envisioned that the copyright owner's authorization for the sale or manufacture of copies abroad would not affect the copyright owner's "exclusive right to sell copies in the United States." *Ibid.*; see also *id.* at 205-206, 209-210.

As petitioner and amicus AFTA both note (Pet. Br. 22-23; AFTA Br. 13-14), the 1964 discussions on the preliminary draft touched upon the interrelationship of the first sale doctrine and the new importation provision. *Copyright Law Revision Part 4, supra*, at 211-212. A full review of the exchange between industry representatives and the Copyright Office, however, reveals no statements supporting petitioner's or AFTA's proposed view of the first sale doctrine's scope. To the contrary, the exchange primarily reveals that the propriety of importation will often turn upon factual questions regarding what domestic first sales and authorizations may have preceded the importation. See *id.* at 211.[8] In fact, when one commentator voiced concern over the tension he perceived between the first sale doctrine and the importation right, the Copyright Office representative simply inquired whether the gentleman was "presenting this as an argument against this kind of provision." *Ibid.* Of course, if it were clear that the first sale provision limited the importation right, the comment would not have been construed as an "argument against" the new provision.

Despite that exchange, moreover, no substantive language changes were made in either the first sale provision or the importation provision that would suggest that the former limits the latter. And subsequent descriptions and analysis of the importation provision hinged its application solely on whether the copyright owner authorized the importation, paying no heed to whether the copyright owner had first sold the copy abroad. *E.g., Second Supplementary Report*

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[8] Indeed, it was because of the complex factual questions that would frequently underlie the determination of whether an importation was authorized by the copyright owner that Section 602 does not require Customs agents to bar the entry of lawfully made copies. 17 U.S.C. 602(b). While the Copyright Act requires Customs to prevent the importation of piratical copies, enforcement of the importation right against lawfully made copies acquired abroad is left to the copyright owner. *Ibid.*; see also *Copyright Law Revision Part 4, supra*, at 212-213; *Copyright Law Revision Part 6, supra*, at XXVI (Preface).

of the Register of Copyrights on the General Revision of the U.S. Copyright Law: 1975 Revision Bill 51 (Oct.-Dec. 1975) (Section 602(a) deals with "unauthorized importation of lawfully-made copies"); *Copyright Law Revision Part 6, supra*, at 149. If the importation were unauthorized, it could be enjoined "before any public distribution * * * had taken place." *Copyright Law Revision Part 6, supra*, at 149. Even where the "copyright owner had authorized the making of copies in a foreign country for distribution only in that country," importation of those copies into the United States without the separate authorization of the copyright owner "would be an infringement and could be enjoined." *Id.* at 150; see also *Copyright Law Revision: Hearings on H.R. 4347, H.R. 5680, H.R. 6831, H.R. 6835 Before Subcomm. No. 3 of the House Comm. on the Judiciary*, 89th Cong., 1st Sess. 1064 (1965) (*1965 House Hearings*) (Section 602 makes it an infringement of the U.S. copyright owner's rights "if copies or phonorecords of any copyrighted work are *imported* without his permission," even if the copies are "authentically made abroad (e.g., under the authority of the foreign copyright owner)"); *id.* at 1119 (importation "without the authority of the copyright owner" is an infringement).

The House and Senate reports accompanying the Copyright Act of 1976 continued to discuss Section 602 in those terms. S. Rep. No. 473, *supra*, at 151 ("unauthorized importation is an infringement merely if the copies or phonorecords 'have been acquired abroad'"); *id.* at 152 ("If none of the three exemptions applies, any unauthorized importer of copies of phonorecords acquired abroad could be sued."); H.R. Rep. No. 1476, *supra*, at 169-170 (same).

The legislative history of the first sale provision also offers no support for petitioner's proposed expansion of Section 109(a)'s scope beyond sales and disposals of possession to include imports. To the contrary, descriptions of the first sale doctrine's operation speak consistently in terms of sales or other disposals of possession, without any reference to the distinct activity of importation. See, *e.g.*, S. Rep. No. 473, *supra*, at 71 (first sale doctrine gives copyright owner no ability to interfere with a legitimate copy owner's decision to "dispose of [a copy] by sale, rental, or any other means" or "to transfer it to someone else or to destroy it"); H.R. Rep. No. 1476, *supra*, at 79 (same); *Copyright Law Revision Part 6, supra*, at 29 (under first sale doctrine, owner of a copy may "sell, lend, rent it, give it away, or destroy it").

Finally, petitioner asserts that "Congress was * * * aware of the view" (Br. 22 n.9) held by some that the first sale doctrine "should" apply to foreign sales, *ibid.* (quoting *1965 House Hearings* 468). Congressional cognizance, however, simply makes the legislature's failure to reference importation of those foreign-sold copies in Section 109(a)'s first sale provision, as it did in Section 906(b)'s separate first sale provision, all the more telling. Congress's silence must be considered to reflect a deliberate legislative judgment about the scope of Section 109(a), to which this Court should defer. See *Shabani*, 513 U.S. at 14.[9]

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[9] In addition to being contrary to the statutory language and congressional intent, petitioner's contention that a copyright owner's activities abroad (a first sale) can also diminish its rights under domestic copyright law overlooks that international copyright relations have generally been structured on the principle of territoriality. See, *e.g.*, Berne Convention for the Protection of Literary and Artistic Works, Art. 5(2) (Paris

3. *Petitioner's proposed construction would deprive Section 602(a) of any practical application*

By extending Section 602(a)'s importation protection from solely piratical copies to copies acquired abroad, the 1976 Copyright Act worked a significant expansion in the rights of copyright owners. Yet if, as petitioner urges, the first sale doctrine extinguishes the importation right whenever the copies in question were first sold abroad by the copyright owner (or with his authority), the copyright owner's right under Section 602(a) to prevent importation of legitimate copies would be drained of practical significance. Indeed, the few remote and random factual scenarios that petitioner is willing to concede would still fall within Section 602(a) reveal how cramped and circumscribed petitioner's proposed statutory construction is.[10] Tellingly, those examples make no significant appearance in the legislative history of the revision process and receive no mention in the House or Senate reports accompanying the 1976 legislation.

Act 1971). See generally S.M. Stewart, *International Copyright and Neighbouring Rights* §§ 3.16-3.17, at 37-39 (2d ed. 1989) (discussing the territoriality principle in the context of the national treatment obligations under international copyright conventions); cf *Blackmer* v. *United States*, 284 U.S 421, 437 (1932).

[10] See Pet. Br. 26-27 (limiting infringement suits for the unauthorized importation of legitimate copies to (1) a thief who stole the copies, (2) a bailee who had possession but not ownership of the copies, (3) a licensee who was licensed to reproduce the work but did not have title to the copies he produced, or (4) an entity that somehow produced copies under a foreign copyright without the authorization of the U.S. copyright owner).

In short, petitioner asks this Court to adopt a construction of the Copyright Act that, for practical purposes, would shrink the copyright owner's importation right to essentially the same narrow scope it was allotted in the 1909 Copyright Act. However, "[f]ew principles of statutory construction are more compelling than the proposition that Congress does not intend *sub silentio* to enact statutory language that it has earlier discarded." *INS* v. *Cardoza-Fonseca*, 480 U.S. 421, 442-443 (1987).[11]

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[11] Petitioner alternatively asserts (Br. 4-5 & n.1) that it did not import the copyrighted articles in this case, but rather purchased them after their importation, and thus cannot be held liable for an infringing "importation" under Section 602(a). The court of appeals found that petitioner had imported the copies. Pet. App. A3. The injunction under review, moreover, enjoins petitioner not only from selling respondent's products, but also from importing them. J.A. 110. In any event, the complaint charges petitioner with contributory copyright infringement and conspiracy, which, if proved, would make petitioner legally responsible for the import of respondent's products. See *Sony Corp. of Am.* v. *Universal City Studios, Inc.*, 464 U.S. 417, 434-438 (1984); *Columbia Broadcasting Sys., Inc.* v. *Scorpio Music Distributors, Inc.*, 569 F. Supp. 47, 48 (E.D. Pa. 1983), aff'd mem., 738 F.2d 421 & 424 (3d Cir. 1984) (Tables). Thus, at this stage, petitioner cannot claim to be an innocent subsequent purchaser of wrongfully imported products. Finally, while the United States takes no position on the proper resolution of the factual question posed by petitioner, we note that the petition for certiorari did not alert the Court to any lingering factual disputes that might be relevant to the legal question presented. If the Court determines that resolution of this factual dispute is necessary, a remand would be appropriate. On the present record, it would be premature to address the applicability of Section 602(a)'s protection to subsequent, innocent purchasers of imported goods.

B. The Importation Right Created By Section 602(a) Is Distinct From The Distribution Right That Is Subject To The First Sale Doctrine

Even if the Court were to conclude that Section 109(a)'s references to "sell[ing]" or "dispos[ing] of possession" encompass the importation of copies, petitioner's position encounters a second textual hurdle. The premise for petitioner's proposed construction of the Copyright Act is that the importation right created by Section 602(a) is simply a subcomponent of the distribution right created in Section 106(3) and, as such, is limited by Section 109(a)'s restriction on that distribution right. Pet. Br. 13-17. There is little doubt that importation and distribution are connected as a practical matter. Importation is often undertaken for purposes of distributing goods. The question in this case, however, is whether Congress envisioned importation to be an activity meriting independent statutory protection or whether, instead, Congress intended Section 602(a)'s operative force to be entirely subsumed within and dependent upon the Section 106(3) distribution right. The language and overall structure of the Copyright Act demonstrate that the importation right enjoys a status and level of protection that is distinct from the general distribution right.

1. *Plain language*

As an initial matter, the plain meanings of the terms "importation" and "distribution" address different (albeit related) commercial activities. As previously noted, the term "importation" signifies the act of bringing or carrying in an item from an outside or foreign source. VII *Oxford English Dictionary*, *supra*, at 728; *American Heritage Dictionary*, *supra*,

at 660, 661. "Distribution," on the other hand, addresses the activity that generally precedes or postdates importation: "To divide and dispense in portions; parcel out," *American Heritage Dictionary*, *supra*, at 383, by, in the terms of the Copyright Act, "sale or other transfer of ownership, or by rental, lease, or lending," 17 U.S.C. 106(3). See also IV *Oxford English Dictionary*, *supra*, at 867. The two terms thus address discrete steps in an overall economic undertaking by a copyright owner.

The Copyright Act, moreover, repeatedly identifies importation as an activity separate and apart from the conduct protected by Section 106, which includes distribution. Section 501, for example, defines "infringement of copyright" as follows:

> Anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 118 or of the author as provided in section 106A(a), *or* who imports copies or phonorecords into the United States in violation of section 602, is an infringer of the copyright.

17 U.S.C. 501(a) (emphasis added). Congress thus specifically recognized a violation of Section 602's importation right to be a distinct and separate infringement of the copyright.[12]

The Copyright Act's manufacturing clause, likewise, expressly describes "importation" and "public distribution" as two distinct regulated activities. 17

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[12] This provision also answers petitioner's contention (Br. 16-17) that, if Congress intended Section 602 to create a distinct right, it would have framed Section 602 like Section 106A, which petitioner concedes creates a separate and independent right. Section 501(a) accords Section 602 the same textually distinct status as a basis for infringement that it affords Section 106A.

U.S.C. 601(a). See also 17 U.S.C. 1002(a) ("No person shall import, manufacture, *or* distribute any digital audio recording device or digital audio interface device.") (emphasis added), 1008 ("No action may be brought under this title alleging infringement of copyright based on the manufacture, importation, *or* distribution" of specified digital devices) (emphasis added); cf. 17 U.S.C. 905(2) (exclusive rights in mask works include "to import *or* distribute a semiconductor chip product in which the mask work is embodied") (emphasis added), 906(b) (owner of a particular semiconductor chip product "may import, distribute, or otherwise dispose of or use" that chip), 907(a) (innocent purchaser shall incur no liability for "importation *or* distribution") (emphasis added).

Congress's persistent, disjunctive use of the two terms counsels against a construction of the Copyright Act, such as petitioner proposes, that would render those references to importation redundant and of no independent force. *Bailey*, 116 S. Ct. at 506-507 (statutory construction begins "with the assumption that Congress intended each of its terms to have meaning" and "[j]udges should hesitate * * * to treat [as surplusage] statutory terms in any setting"). Congress's physical separation of the importation right into its own chapter of the Copyright Act further underscores its distinct identity. See Pub. L. No. 94-553, 90 Stat. 2541.

It is true that Section 602(a) describes a proscribed importation as an infringement of the Section 106 "right to distribute copies or phonorecords." That connection, however, was meant to identify who may sue to enforce the Section 602 importation right, not to delimit the scope of that right. The initial draft legislation creating the importation right identified

the unlawful importation as "an infringement of copyright actionable under section 35 [the precursor to Section 501]." *Copyright Law Revision Part 3*, *supra*, at 32. The language was subsequently reconfigured to make clear that only copyright owners who retain their distribution rights can enforce the importation right. That change ensured that copyright owners who are subject to a compulsory license (and thus have no Section 106(3) distribution right) could not interfere with importations. See *Copyright Law Revision Part 4*, *supra*, at 205-206, 211, 213.

2. Legislative history

The legislative history confirms that drafters considered the importation right to be distinct from and supplementary to the previously recognized rights of copyright owners. When the precursor to Section 602(a) was first proposed in a preliminary draft of legislation prepared by the Copyright Office, the Copyright Office explained that, as before, an infringement action could be based upon violation of the rights currently outlined in Section 106 (then Section 5). *Copyright Law Revision Part 4*, *supra*, at 116. The Copyright Office noted, however, that the draft "add[ed] a *new concept*: that an importation [of nonpirated works] into the United States is an infringement. We don't have that in the law now." *Ibid.* (emphasis added). See also *Copyright Law Revision Part 6*, *supra*, at 131 (unauthorized importation is an act of infringement that is "*in addition to* violations of the copyright owner's exclusive rights," such as distribution) (emphasis added); *id.* at 149 (Section 602(a) violation can occur "even before any public distribution of imported copies or phonorecords ha[s] taken place").

The House and Senate reports accompanying the 1976 Copyright Act confirmed the status of importation as a distinctly protected right. Both reports explained that an "unauthorized importation" is an infringement "merely if the copies or phonorecords 'have been acquired outside the United States.'" H.R. Rep. No. 1476, *supra*, at 169; S. Rep. No. 473, *supra*, at 151; see also H.R. Rep. No. 1476, *supra*, at 170 ("[T]he mere act of importation in this situation would constitute an act of infringement and could be enjoined."); S. Rep. No. 473, *supra*, at 152 (same); S. Rep. No. 983, 93d Cong., 2d Sess. 201 (1974) (same). Distribution was thus considered unnecessary to state a violation of the copyright owner's importation right: "[A]ny unauthorized importer of copies or phonorecords acquired abroad could be sued for damages and enjoined from making any use of them, even before any public distribution in this country has taken place." H.R. Rep. No. 1476, *supra*, at 170; S. Rep. No. 473, *supra*, at 152. In sum, Congress did not make an exercise of the importation right dependent upon whether or how the copyright owner's distribution right had been exercised.

C. Application Of The First Sale Doctrine To The Unauthorized Importation Of Copies Sold Abroad Would Be Inconsistent With International Agreements Negotiated By The United States

The United States has taken the position in international trade negotiations that domestic copyright owners should, and do under United States law, have the right to prevent the unauthorized importation of copies of their work sold abroad. Currently, at least five international trade agreements embody that principle and will obligate the United States to pro-

vide such protection in its copyright law.[13] See Agreement Between the United States of America and the Kingdom of Cambodia on Trade Relations and Intellectual Property Rights Protection at 11 (signed at Washington Oct. 4, 1996) ("Each Party shall provide to authors and their successors in interest * * * the right to authorize or prohibit * * * the importation into the Party's territory of copies of the work, regardless of whether such copies have been placed on the market by the relevant right holder."); Memorandum of Understanding Between the Government of the United States of America and the Government of Trinidad and Tobago Concerning Protection of Intellectual Property Rights at 3 (signed at Washington Sept. 26, 1994) (same); Agreement Concerning the Protection and Enforcement of Intellectual Property Rights Between the Government of the United States of America and the Government of Jamaica at 5 (signed at Kingston Mar. 17, 1994) ("Each Party shall provide in respect of works protected under paragraph (1) of this Article, the economic rights of authors and their successors in interest * * *. For this purpose, the Parties agree that such rights shall include the following: * * * the right to authorize or prohibit the importation into the territory of the Party of copies of the work."); Agreement Concerning the Protection and Enforcement of Intellectual Property Rights Between the Government of the United States of America and the Government of Ecuador at 4-5 (signed at Washington Oct. 15, 1993) (same); Agreement on the Protection and Enforcement of Intellectual Property Rights Between the United States of America and the Democratic Socialist Republic of

[13] Although all of the agreements have been signed, not all of them have entered into force at this time.

Sri Lanka at 3 (signed at Colombo Sept. 20, 1991) (defining rights that each party shall protect to include "the exclusive right to import or authorize the importation into the territory of the Party of lawfully made copies of the work").[14]

The United States has also advanced this position in multilateral trade negotiations. See, *e.g.*, World Intellectual Property Org., Draft Proposal Submitted to the Committee of Experts on a Possible Protocol to the Berne Convention 4 (Dec. 5, 1995) ("Authors and their successors in interest shall have the exclusive right to authorize * * * the importation, including by transmission, of the original and copies of the work, even following any sale or other transfer of ownership of the copies by or pursuant to authorization and irrespective of whether the imported copies were made with or without authorization."); World Intellectual Property Org., Draft Proposal Submitted to the Committee of Experts on a Possible Instrument for the Protection of the Rights of Performers and Producers of Phonograms 2 (Dec. 5, 1995) (same, with respect to musical performers' control of phonograms).[15] Even when the United States has not been successful in having parallel import protection included in final treaty language, the United States' strong position on this question has

[14] We have lodged copies of these five international trade agreements, along with the draft agreements and State Department telegrams discussed *infra*, with the Clerk of the Court.

[15] See also Department of State Telegram No. 384388, at 4-5 (dated Nov. 13, 1990) (describing United States negotiating position). Neither the Universal Copyright Convention (1971) nor the Berne Convention for the Protection of Literary and Artistic Works addresses the issue of parallel imports.

prevented the adoption of language that would specifically deny copyright owners the authority to control importation of copies of their work acquired abroad.

As this Court has recognized,

> [i]f the United States is to be able to gain the benefits of international accords and have a role as a trusted partner in multilateral endeavors, its courts should be most cautious before interpreting its domestic legislation in such manner as to violate international agreements.

Vimar Seguros y Reaseguros, S.A. v. *M/V Sky Reefer*, 515 U.S. 528, 539 (1995). Petitioner's proposed construction of the Copyright Act, however, would require this Court to adopt an interpretation of the Act that is inconsistent with our commitments under international agreements and our representations to foreign governments regarding the status of United States copyright protection against parallel imports. See also Department of State Telegram No. 175323, at 3 (dated Aug. 22, 1996) ("If a U.S. copyright owner consents to the sale of its goods in [for example] China, it has not exhausted its rights to control distribution as to those copies should they be imported into the U.S."); Department of State Telegram No. 384388, at 3, 7-10 (dated Nov. 13, 1990).

The provision of such domestic and international protection against parallel imports to copyright owners, moreover, reflects important international economic development policies of the United States, especially with respect to developing nations. With the encouragement of the federal government, book publishers and other producers of copyrighted materials have offered special and cheaper editions of their

works to meet local needs in underdeveloped countries. Effective restrictions on the export of those special editions back to the United States are critical to maintaining the willingness of American businesses to offer products with concessionary pricing to developing countries and thus to support American foreign policy goals. See Department of State Telegram No. 384388, *supra*, at 4 ("In effect, the U.S. private sector has voluntarily reflected U.S. Government policy in seeking to assist and support lesser developed countries. If these special editions could be introduced into other markets in competition with locally authorized editions, the ability of publishers to support these concessions by adequate reward from worldwide markets would be impaired."). Petitioner's proposed limitation on the importation right would seriously frustrate the federal government's pursuit of this important international developmental and economic policy.[16]

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[16] Even if we assume that it has some relevance to the statutory construction issue presented, petitioner's suggestion (Pet. Br. 3, 7-9, 29-31; Pet. 20-23) that a narrow reading of Section 602(a) would best promote the economic interests of American citizens fails to take account of these international economic concerns. Over the long term, promoting economic growth in lesser-developed nations through lower prices for copyrighted materials can increase both the demand for domestic production and competition in the affected markets. Furthermore, petitioner's proposed construction of the Copyright Act could reduce exports and, therefore, lower domestic employment. Petitioner's position might also result in curtailed promotional activities by U.S. manufacturers, which could harm consumers. Protection from parallel imports, on the other hand, permits the efficient partitioning of the world into national markets and the customization of product marketing to meet local needs and circumstances. See also Department of State Telegram No. 175323, *supra*, at 3 (The effects of parallel imports "can be severe and quite contrary to the domestic interests of a country. In some cases, it will be so difficult for [a] higher-priced domestically produced product to compete with the less expensive import that domestic production will cease. This could result in the loss of the domestic manufacturing jobs and jobs related to the support of such manufacturing. It could also result in the loss of tax revenue."). More generally, petitioner's position would impede a copyright owner's ability to distribute its products worldwide in the most efficient manner, thereby leading to reductions in output. In short, strong domestic and international economic policies support Congress's grant of an importation right to copyright owners that is not affected by a first sale abroad.

D. Alternative Constructions Of The Interrelationship Of Sections 602(a) And 109(a) Are Incorrect

None of the alternative approaches adopted by courts in construing Sections 109(a) and 602(a) of the Copyright Act can withstand scrutiny.

1. Some courts have read into Section 109(a) a distinction between copies made and sold by the copyright owner and those made and sold by a licensee. See, *e.g.*, *Sebastian Int'l, Inc.* v. *Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093, 1098 (3d Cir. 1988). But neither the language of the first sale provision nor its legislative history assigns any relevance to the identity of the seller of particular copies. That omission is not surprising, given the lack of significance in copyright law of the identity of the person lawfully exercising the copyright owner's rights. Once authorized by the copyright owner, a licensee can exercise the licensed rights in the same manner as the copyright owner. In fact, the Act considers an exclusive license to be a "transfer" of rights (17 U.S.C. 101), and denominates the licensee a "copy-

right owner" with respect to the licensed rights (*ibid.*).[17]

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[17] The attempt to distinguish between sales by a copyright owner and sales by a licensee in applying Section 109(a) to parallel imports confuses copyright and trademark concepts. Unlike copyright law, trademark law looks to the identity of the seller and its relationship to the right holder in determining whether the latter can bar parallel imports. See, *e.g.*, 19 C.F.R. 133.21(b), (c)(1) and (2) (creating an exception to the statutory ban on importation of goods bearing a U.S. trademark without the owner's authorization for goods that are manufactured by the trademark owner himself or a related entity); *K Mart Corp.* v. *Cartier, Inc.*, 486 U.S. 281 (1988). This Court has noted "the fundamental differences between copyright law and trademark law" and has declined to apply the doctrines formulated in one area to the other. *Sony Corp.*, 464 U.S. at 439 n.19. Distinguishing the two areas of law is particularly appropriate in the parallel import context. The purpose of copyright law is to encourage and reward creative effort as a means of promoting the broad, public availability of literature, music, and other arts. *Harper & Row, Publishers, Inc.* v. *Nation Enterprises*, 471 U.S. 539, 545-546, 558 (1985). Allowing copyright owners to restrict parallel imports promotes this goal by increasing the incentives to authors and artists to produce and market their works. The primary purposes of trademark law, by contrast, are to protect against consumer confusion as to the source of goods and to preserve the public good will the manufacturer creates with its product. See, *e.g.*, *Mazer*, 347 U.S. at 207 n.5 (discussing different purposes of trademark and copyright law); *A. Bourjois & Co.* v. *Katzel*, 260 U.S. 689, 692 (1923). The importation into the United States of genuine goods sold abroad does not implicate those interests.

The reliance that amici Costco Companies, et al, place on patent law (Costco Br. 15-16) is also misplaced. Patent and copyright law "are not identical twins," so courts should exercise "caution * * * in applying doctrine formulated in one area to the other." *Sony Corp.*, 464 U.S. at 439 n.19; see also *id.* at 442. In 1994, moreover, Congress amended the patent law to provide that "whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent." 35 U.S.C. 271(a).

2. Courts have also attempted to make the availability of the first sale doctrine turn upon whether the copyright owner has realized "full value" for its work. *E.g.*, Pet. App. A11; *Parfums Givenchy, Inc.* v. *C & C Beauty Sales, Inc.*, 832 F. Supp. 1378, 1391 (C.D. Cal. 1993). This approach, however, finds little support in the text of the Copyright Act or its legislative history. Section 109(a) applies to the owner of any "particular copy or phonorecord lawfully made under [the Act]," not merely to owners of copies for which the copyright owner has received full value. Similarly, the copyright owner's parallel importation right in Section 602(a) covers "copies * * * of a work that have been acquired outside the United States," without any limitation as to the value the copyright owner may already have received for those particular copies. Furthermore, because the full value of a copyright depends in part on the scope of the rights the law conveys to the copyright owner, it is circular to use full value to define the scope of the copyright protection in the first instance.

3. Finally, courts have made distinctions based on the place where copies were manufactured, holding that Section 109(a) does not apply to copies manufactured abroad. See, *e.g.*, *BMG Music* v. *Perez*, 952 F.2d 318, 319 (9th Cir. 1991), cert. denied, 505 U.S. 1206 (1992); *Columbia Broadcasting Sys., Inc.* v. *Scorpio Music Distributors, Inc.*, 569 F. Supp. 47, 49 (E.D. Pa. 1983), aff'd mem., 738 F.2d 421 & 424 (3d Cir. 1984) (Tables). Those courts have reasoned that the phrase "lawfully made under this title" in Section 109(a)

refers to authorized copies made within the United States, where "this title" is applicable.

When, however, Congress wishes to make the location of manufacture relevant to Copyright Act protection, it does so expressly. See, *e.g.*, 17 U.S.C. 601(a) (prohibiting, prior to July 1, 1986, importation into or public distribution in the United States of copies of certain works "unless the portions consisting of such [works] have been manufactured in the United States or Canada"). Indeed, it is distinctly unlikely that Congress would have provided such an incentive to manufacture abroad at the same time it was shielding the domestic printing industry under Section 601.[18]

[18] The correct and more natural reading of the phrase "lawfully made under this title" refers simply to any copy made with the authorization of the copyright owner as required by Title 17, or otherwise authorized by specific provisions of Title 17. See *Parfums Givenchy*, 832 F. Supp. at 1387. That reading is also consistent with the legislative history. See, *e.g.*, H.R. Rep. No. 1476, *supra*, at 79; S. Rep. No. 473, *supra*, at 72; S. Rep. No. 983, *supra*, at 123.

CONCLUSION

The judgment of the court of appeals should be affirmed.

Respectfully submitted.

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